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C O N F I D E N T I A L SECTION 01 OF 03 SOFIA 000205

SIPDIS

FOR SPECIAL ENVOY FOR EURASIAN ENERGY DIPLOMACY MORNINGSTAR

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TAGS: [ENRG](#) [ECON](#) [PREL](#) [PGOV](#) [BU](#)

SUBJECT: BULGARIANS TOUT A SUCCESSFUL ENERGY SUMMIT

REF: SOFIA 0180 AND PREVIOUS

Classified By: Ambassador Nancy McEldowney for reasons 1.4 (b) and (d).

¶1. (C) Summary: Overcoming intense Russian pressure and European skepticism, the April 24-25 Sofia Energy Summit focused on the key principles and policies of energy security rather than on individual projects. The event's deliverable, a declaration endorsed by the 30 participating delegations, is a hard-fought document stressing the need for all European gas projects to be governed by the principles of transparency, diversification and market orientation; the proof will come in its implementation. On the margins of the event, private sector proponents of the Turkey-Greece-Interconnector, Nabucco and South Stream pipelines argued their projects' relative merits while the Bulgarian Energy Holding and Gazprom waged a war of words in the press over details of upcoming South Stream and gas supply deals. Taken as a whole, the event exceeded deliberately understated expectations by bringing together key suppliers, transit countries and consumers to agree, if only on paper, on the need for greater transparency, accountability and reliability in the gas sector in the wake of the January gas crisis and amid global financial turbulence. All documents related to the Sofia Energy Summit, including interventions and the summit declaration, are available at:
[http://www.intelink.sgov.gov/wiki/Portal:Bulg aria Energy](http://www.intelink.sgov.gov/wiki/Portal:Bulgaria%20Energy) .
End Summary.

BACKGROUND

¶2. (C) Titled "Natural Gas for Europe: Security and Partnership" the April 24-25 Sofia Energy Summit brought together 28 delegations (8 at the head of state or government level), the European Commission and the EBRD to discuss gas-related energy security in the wake of the January gas crisis. The agenda featured prepared interventions by each delegation head, most of whom used the opportunity to highlight national diversification efforts. Kicking off the event, Bulgarian President Parvanov stressed the need for transparency in all segments of the gas supply chain and, surprisingly, given past Bulgarian reticence, the creation of a European energy regulatory authority. U.S. Special Envoy for Eurasian Energy Diplomacy Richard Morningstar stressed that while no single project holds the key to energy security, all projects that go forward must be based on the principles of diversification, transparency and market viability. EU President Barroso highlighted the EU's response and solidarity during and after the January gas crisis. Turkish President Gul described Turkey's desire to become "Europe's fourth natural gas corridor." Russian Energy Minister Sergey Shmatko underlined his country's need

to diversify away from Ukraine's transit network and stated Russia would soon hold a South Stream conference for interested South East European governments and companies. (Note: Gazprom invited the Bulgarian Energy Holding to such a multilateral South Stream event in Sochi on May 15.) Whereas most speakers touted their nation's energy policies, Georgian President Saakashvili used part of his intervention to rail against Russia's incursion into Georgia in summer 2008.

13. (C) The key summit deliverable was a declaration on key principles and policies supporting energy security, including transparency, solidarity, diversity, market-based transactions, and legal remedies for contract non-performance. Agreement on the declaration was hard-fought. With the Russians insisting on a direct mention of South Stream in the lead-up to the summit, the European Commission, at the request of the Bulgarians, took over declaration negotiations with the Russians in mid-April. The Russian delegation continued to block the adoption of the declaration until the summit's final hour, when, according to Bulgarian Energy Envoy Peter Poptchev, Russian Energy Minister Shmatko withdrew Russia's hold on the document, citing a positive bilateral meeting on the summit's sidelines with U.S. Energy Envoy Morningstar.

FIREWORKS ON THE MARGINS

14. (C) While diplomacy reigned on the plenary floor, debate heated up on the margins. At a business forum organized by

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the Bulgarian Energy Holding just prior to the summit, representatives of the three main regional pipeline projects touted their own projects while jabbing their competitors. Elio Ruggeri of Edison argued passionately for Turkey-Greece-Italy Interconnector (ITGI) saying its prospects were brightest and urging a future Bulgarian spur to the project. Executive Director of the Nabucco gas pipeline Reinhard Mitschek stressed his project's contribution to the region's energy security as it offered a real alternative to Russian gas. Gazprom's head of external economic relations Stanislav Tsigankov casually dismissed the argument that competition existed between South Stream, TGI and Nabucco, implying that South Stream alone had guaranteed volumes and was further along than the other two. Azeri representatives and the StatoilHydro Azerbaijan speaker hinted that Azeri gas did not necessarily have to go through Turkey only.

15. (C) Meanwhile, Gazprom and the Bulgarian Energy Holding were waging a war of words in the press over negotiations for Bulgaria's new long-term gas supply contract and Russian demands that Bulgaria sign a cooperation agreement on South Stream during the summit itself. Gazprom's Tsigankov outraged the Energy Holding by asserting his company's intentions to eliminate Bulgargaz (part of the Energy Holding) in its next gas supply contract with Bulgaria in order to service Bulgarian end-users directly. In response, Bulgarian officials leaked word that Moscow had been attempting to force Sofia to allow South Stream to use Bulgaria's existing pipeline infrastructure to cut project costs. Tsigankov and Energy Minister Shmatko were last minute substitutes for Alexy Miller and PM Putin, respectively, who canceled their participation when Bulgaria refused to sign the South Stream agreement on the summit's margins. (Note: Bulgarian Prime Minister Stanishev subsequently initialed a similar South Stream agreement in Moscow on April 28, although the document's exact contents are still unknown.)

COMMENT

¶6. (C) Despite the last minute withdrawal of key producing country heads of state, the Bulgarians breathed a sigh of relief and believe they chalked a win with the Sofia Energy summit. In the face of intense Russian pressure and naysayers predicting Sofia would host a "ball at which only Putin would dance," the Bulgarians kept the focus on principles and policies rather than on individual projects. It wasn't easy. Moscow's chilly reception of PM Stanishev on April 27 suggests that bilateral relations with Russia, despite diplomatic smiling and stiff upper lips, are not sailing smoothly. End Comment.

¶7. (U) SUMMIT PARTICIPANTS:

Albania - President Bamir Topi
Armenia - Ambassador Sergei Manasarian
Austria - Vice-Minister of Economy, Family and Youth Alfred Maier
Azerbaijan - Minister of Industry and Energy Natiq Aliyev
Bosnia and Herzegovina - Chairman of the Presidency, Nabojša Radmanovic
Bulgaria - President Georgi Parvanov
Croatia - President Stjepan Mesic
Czech Republic - Deputy Prime Minister for European Affairs, Alexander Vondra
European Commission - President Jose Barroso
European Bank of Reconstruction and Development - Business Group Director, Energy, Riccardo Puliti
Egypt - Special Representative of the President of Egypt and Minister of Petroleum, Sameh Fahmy
France - Ambassador Etienne du Poncen
Former Yugoslav Republic of Macedonia - Deputy Prime Minister Ivica Bocevski
Georgia - President Mikheil Saakashvili
Germany - Director General of Energy Policy and Federal Ministry of Economics and Technology, Detlef Dauke
Greece - Prime Minister Kostas Karamanlis
Hungary - Secretary of State of the Ministry of Foreign Affairs, Jeno Faller
Italy - Minister for Economic Development, Claudio Scaiola
Kazakhstan - Special Envoy Lyzzat Kiinov
Moldova - Deputy Minister of Economy and Trade, Sergiu Sainchuk
Montenegro - President Filip Vujanovic
Qatar - Emir Sheikh Hamad bin Khalifa Al-Thani

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Romania - Minister of Economy, Adriean Videanu
Russia - Minister of Energy, Sergei Shmatko
Slovenia - Ambassador, Head of the Task Force for Energy & Infrastructure, MFA, Primož Seligo
Serbia - President Boris Tadic
Turkey - President Abdullah Gul
Turkmenistan - Deputy Minister of Foreign Affairs, Toili Babaevic Komekov
Ukraine - Ambassador Viktor Kalnik
United States - Special Envoy for Eurasian Energy, Richard Morningstar
McEldowney